

## Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 EB-11 COME-00 AID-20 TAR-02

OMB-01 STR-08 L-03 CIAE-00 INR-10 NSAE-00 RSC-01

PRS-01 AGR-20 PA-04 USIA-15 DRC-01 FEA-02 SS-20 /136 W

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 0000

INFO AMCONSUL CALI

AMEMSUL MEDELLIN

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E.O. 11652: NA

TAGS: ETRD, CO IDB OCON

SUBJECT: IDB ANNUAL MEETINGS/COUNTERVAILING DUTY PROCEEDINGS

REF: (A) BOGOTA 2300

(B) BOGOTA 2353

1. SUMMARY. ECON COUNSELOR AND FINATT MET TODAY WITH FINANCE MINISTER TO DISCUSS GOC POSITIONS FOR THE UPCOMING IDB ANNUAL MEETINGS IN SANTIAGO. MINISTER CONFIRMED VIEW OUTLINED REFTEL A THAT FINANCE MINISTER'S STATEMENT AT IDB MEETING WILL STRESS THE CHANGE IN THE MONETARY SITUATION RESULTING FROM THE ENERGY CRISIS AND THE NEED TO REDIRECT NEW FOUND OIL RESOURCES. IN ADDITION TO COUNTERVAILING DUTIES PROCEEDINGS INSTITUTED BY TREASURY, MINISTER STATED THAT HE WOULD ALSO LIKE TO RAISE DIRECTLY WITH SECRETARY SHULTZ AT IDB MEETING THE POSSIBILITY OF REDUCING GOC SHARE OF LOCAL CURRENCY COUNTERPART REQUIRED UNDER EXISTING AID SECTOR LOANS. MINISTERS ARGUMENTS ON COUNTERVAILING DUTY QUESTION VERY SIMILAR TO THE POSITION TAKEN BY COLOMBIAN AMERICAN CHAMBER OF COMMERCE IN THEIR OPEN LETTER TO SECRETARIES KISSINGER AND SHULTZ. TECHNICAL GROUP FROM THE FINANCE MINISTRY NOW SCHEDULED

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TO ARRIVE IN WASHINGTON WEEK OF APRIL FIRST TO DISCUSS  
COUNTERVAILING DUTY QUESTION WITH DEP ASSISTANT SEC  
RETARY MARKS. END SUMMARY.

2. FINANCE MINISTER STATED THAT HE WISHED TO DISCUSS TWO  
ISSUES DIRECTLY WITH SECRETARY SHULTZ AT THE IDB MEETING.  
THE FIRST AND MOST IMPORTANT POINT FINANCE MINISTER WILL  
MAKE IS THAT U.S. DECISION TO INSTITUTE COUNTERVAILING  
DUTY PROCEEDINGS ON CUT FLOWER EXPORTS, ESPECIALLY  
WITHOUT SUFFICIENT ADVANCED NOTICE OR CONSULTATIONS, HAS  
CREATED PROBLEMS FOR THE GOC. IF THE COUNTERVAILING  
DUTY IS IMPOSED IT WILL HAVE AN ADVERSE EFFECT ON EMPLOY-  
MENT OF UNSKILLED LABOR IN THE TWO MAJOR FLOWER GROWING  
REGIONS. EVEN MORE IMPORTANT, SUCH AN ADVERSE FINDING  
COULD ENDANGER MOST OTHER NON-TRADITIONAL EXPORTS WHICH  
ALSO PRESENTLY BENEFIT FROM CAT. MINISTER WENT ON TO  
POINT OUT THAT COUNTERVAILING NOTICE INCONSISTENT WITH:  
(A) HELP BEING OFFERED BY AID TO ENCOURAGE THE ECONOMIC  
DEVELOPMENT OF COLOMBIA (B) USG PREFERENCE THAT  
COUNTRIES EARN FOREIGN EXCHANGE THROUGH TRADE AND NOT  
AID AND , MOST IMPORTANT: (C) THE SPIRIT OF SECRETARY  
KISSINGER'S STATEMENT IN MEXICO. HE STATED THAT THE  
COLOMBIAN AMERICAN CHAMBER OF COMMERCE LETTER TO SECRETARIES  
KISSINGER AND SHULTZ SENT BY TELEX EVENING OF 19 MARCH VERY  
ELOQUENTLY STATES MINISTER'S POSITION ON COUNTERVAILING QUESTION.

3. FROM MINISTER ONE GETS IMPRESSION THAT GOC BELIEVES THEIR  
STRONGEST ARGUMENTS AGAINST COUNTERVAILING PROCEEDINGS ARE  
POLITICAL. GOC STRATEGY WILL BE TO PURSUE ITS CASE SIMULTANEOUSLY  
ON THE POLITICAL FRONT (THROUGH THE FOREIGN MINISTRY) AND THE  
ECONOMIC FRONT (THRU DIRECT CONTACTS WITH US TREASURY). TECHNICAL  
GROUP FROM FINANCE MIN SCHEDULED TO ARRIVE WASHINGTON WEEK OF  
APRIL 1 TO INITIATE DISCUSSION WITH TREASURY. GROUP WILL CONSIST  
OF JAIME BUENO, DIRECTOR OF NATIONAL TAX OFFICE, FABIO GOMEZ  
ARRUBLA, ADVISOR TO FINMIN, AND POSSIBLE REPRESENTATION FROM  
FLOWER GROWERS' ASSOCIATION. IT IS NOT CLEAR WHETHER TECHNICAL  
GROUP WILL BE PREPARED TO DISCUSS ALTERNATIVES TO CAT OR TRY  
TO ARGUE THAT CAT SHOULD NOT BE CONSIDERED A BOUNTY OR GRANT  
UNDER US LAW. FINATT WILL MEET WITH GROUP TOMORROW TO TRY TO  
CLARIFY THEIR ROLE.

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4. FINANCE MIN PLANS TO RAISE WITH SEC SHULTZ ISSUE OF ADDITIONAL  
FLEXIBILITY ON GOC LOCAL CURRENCY CONTRIBUTIONS UNDER EXISTING  
USAID SECTOR LOANS. THIS IS A FAVORITE TOPIC OF FINANCE MIN.  
MIN CLAIMS THAT PRESENT ARRANGEMENT WHEREBY GOC FORCED TO MAKE  
SUBSTANTIAL LOCAL CURRENCY CONTRIBUTIONS TO TAKE ADVANTAGE OF  
AID FAVORABLE LOAN TERMS IS INFLATIONARY. FINATT RESPONDED THAT  
HE DID NOT UNDERSTAND THIS VIEW SINCE GOC UNDER NO OBLIGATION

TO SPEND ANY FUNDS EITHER OURS OR GOC'S WHICH GOC CONSIDERS INFLATIONARY. MIN SMILED AND STATED WHAT HE WANTS IS A BETTER OVERALL RATIO. ACCORDING TO FINANCE MIN GOC PRESENTLY MUST PUT UP MORE THAC ITS FAIR SHARE.

5. PRESS MAR 21 QUOTES ECONOMIC SECRETARY TO PRESIDENT AS SAYING THERE IS NOTHING DEFINITE YET ON IDEA FLOATED DAY BEFORE OF GOC TAKING OVER FLOWER EXPORTS IN EFFORT TO AVOID COUNTERVAILING DUTY (REFTEL). OTHERWISE PRESS PLAY CONSISTS OF PROMINENT COVER-AGE (FRONT PAGE EL TIEMPO AND EL SIGLO), INCLUDING FULL TEXT, OF COLOMBIAN-AMERICAN CHAMBER OF COMMERCE LETTER TO SECRETARIES KISSINGER AND SHULTZ PROTESSTING CONTEMPLATED US ACTION. ONE ARGUMENT IN LETTER, THAT IMPOSITION OF COUNTERVAILING DUTY COULD WELL SIGNIFY THE END OF COLOMBIA'S FLOWER INDUSTRY, DOES NOT SQUARE WITH WHAT FLOWER GROWERS HAVE TOLD EMB. WORST THEY HAVE PREDICTED IN OUR CONVERSATIONS IS A HALT TO GROWTH IN EXPORTS TO US, AND OTHERS HAVE BEEN EVEN LESS PESSIMISTIC.  
VAKY

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

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